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Australia

Cotton and Products

Quarterly Update

2007

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Report Highlights:

Production of cotton in Australia for 2007/08 is forecast at 455,000 bales (0.45 million) or approximately 103 TMT. If achieved, this level of production would be the lowest since 1982/83. High domestic sorghum prices (A\$320/bale) compared with relatively modest cotton prices (A\$420/bale), combined with poor prospects for improved irrigation allocations has pressured growers to plant sorghum rather than cotton.

Includes PSD Changes: No
Includes Trade Matrix: No
Quarterly Report
Canberra [AS1]
[AS]

SECTION ONE: SITUATION AND OUTLOOK

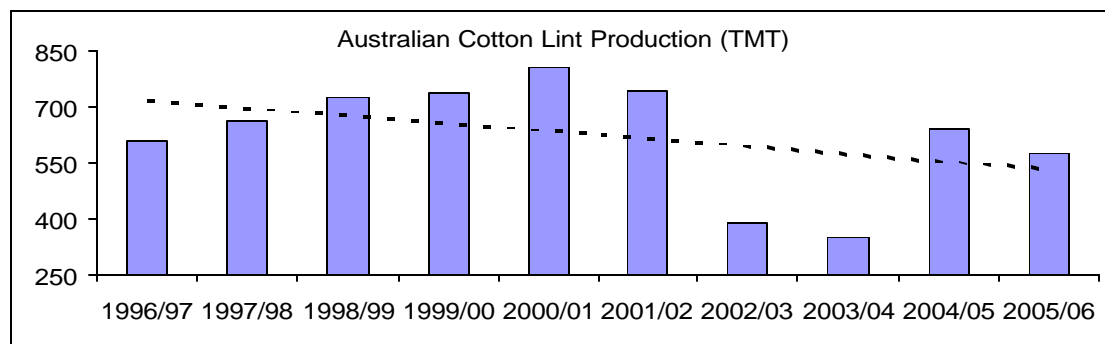
General

At the time of writing this report, cotton growing regions in Australia remain in drought, despite significant recent rainfall. Irrigation water allocations remain critically low, and have not been greatly assisted by recent rainfall. Soil moisture in certain growing areas has improved although this will be more likely utilized for the planting of sorghum, as the majority of cotton growers are not expected to risk planting cotton if future irrigation water supply cannot be guaranteed.

Over the longer term, industry sources believe that production levels will increase substantially. However, Post does not expect production levels to return to levels similar to those prior to the commencement of drought in 2002/03 while grain prices remain at such high levels.

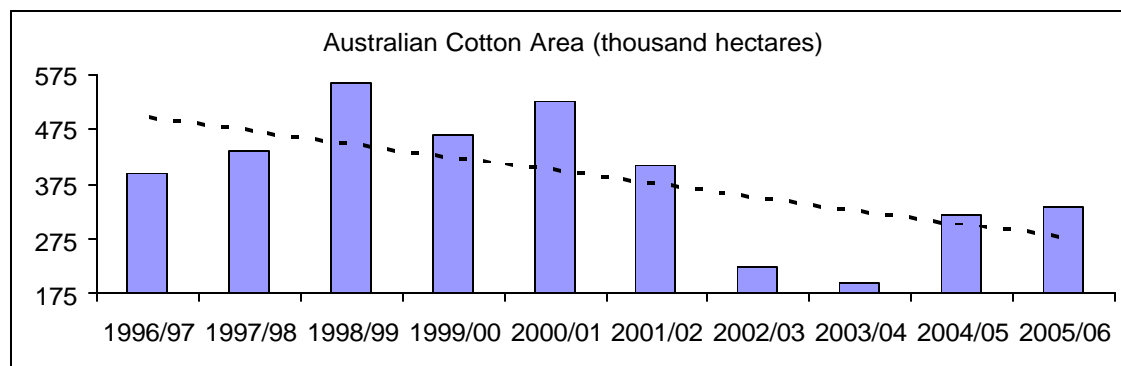
Production

Production of cotton in Australia for 2007/08 is forecast at 455,000 bales (0.45 million) or approximately 103 TMT. This represents a slight decrease on Post's previous figure and is driven by a lower forecast planted area, and a slightly lower yield. If achieved, this level of production would be the lowest since 1982/83.



Source: ABARE Data (July-June)

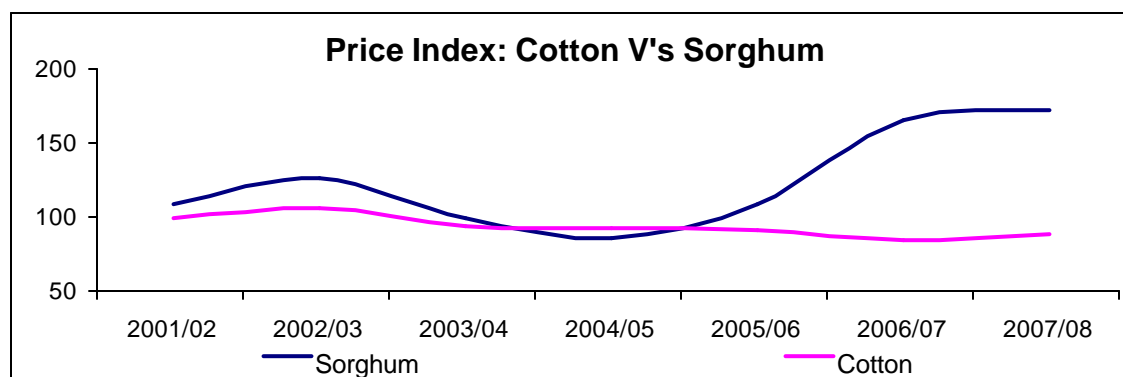
Post forecasts area planted to cotton in 2007/08 at 56,000 hectares, down slightly on Post's previous forecast. This figure is consistent with industry sources and represents the lowest planted area since 1978/79.



Source: ABARE Data (July-June)

Post advises that many cotton growing areas received useful rainfall in November; however this rainfall has not been effective in lifting planted area for 2007/08. Rainfall received in catchment areas was not effective in lifting irrigation water supplies, and without the prospect of more irrigation water, growers were unable to take advantage of improved planting moisture despite the planting window for Bollgard cotton being extended from November 15 to November 30.

Late rain received in November may have had the effect of lowering cotton planted area. High domestic sorghum prices (A\$320/bale) compared with relatively modest cotton prices (A\$420/bale), combined with poor prospects for improved irrigation allocations, has pressured growers to plant sorghum. Post expects that sorghum planting would benefit from recent rains, and producers are more likely to make use of existing soil moisture and take advantage of comparatively higher grain prices.



Source: ABARE Data (July-June)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
AS7069	Ag Down Under Vol. 13	11/26/07
AS7068	Fresh Deciduous Fruit Report	11/21/07
AS7067	Retail Sector Report	11/08/07
AS7066	Citrus Annual	11/07/07
AS7065	Ag Down Under Vol. 12	11/02/07
AS7063	Dairy & Products Annual	10/24/07
AS7062	Issues Paper – Safeguards Inquiry into Imports of Pig Meat	10/24/07
AS7061	Govt. Announces Safeguards Inquiry into Imports of Pig Meat	10/22/07
AS7060	ALP Wheat Marketing Proposal	10/15/07
AS7059	Ag Down Under Vol. 11, 2007	10/15/07
AS7058	Export Wheat Commission Established	10/15/07
AS7057	Sugar Semi-Annual	10/10/07